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C O N F I D E N T I A L KUWAIT 001089

SIPDIS

STATE PLEASE PASS DEPARTMENT OF ENERGY FOR IE
STATE FOR NEA/ARPI
EB/ESC/IEC FOR GALLOGLY, DOWDY, MCMANUS

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TAGS: [ENRG](#) [EPET](#) [KU](#) [IR](#) [KUWAIT](#) [IRAN](#) [RELATIONS](#) [OIL](#) [SECTOR](#)

SUBJECT: KUWAIT-IRAN GAS - A DONE DEAL

REF: A. KUWAIT 0943

[1B](#). 2004 STATE 166919

Classified By: Economic Counselor Stephen Carrig for reason 1.4 (d)

[11](#). (C) Econ Counselor and Econ Officer met March 12 with Ministry of Energy Undersecretary Issa Al-Own to follow up on earlier discussions of Kuwait's options for meeting its gas needs (Ref A). Al-Own said that there was a "good chance" that Kuwait and Iran might discuss a potential gas export deal on the sidelines of the Isfahan OPEC meeting. Clarifying a March 12 newspaper report on the deal, Al-Own said that the two sides had come to an agreement on some "outstanding technical points" already and that they could now "resume negotiations." He said that the plan called for a pipeline to carry 300 million cubic feet (mft3)/day and that the two sides would likely look for a private investor to build the pipeline.

[12](#). (C) Al-Own pointed out that Kuwait would face critical gas needs in 2008, once Kuwait's new petrochemical plants come online. With an estimated one year of design and two years of construction needed for the pipeline, Al-Own said that Kuwait would like to move the Iran deal forward "like a rocket." Al-Own continued that the disputed Al-Durrah offshore gas field (Ref A) was "really a border issue" and that the Foreign Ministry was actively trying to resolve the dispute through diplomatic channels. He said that, once the Foreign Ministry gives the go-ahead, the Ministry of Energy would begin drilling in the Al-Durrah field.

[13](#). (U) March 14 newspapers quoted unnamed sources as saying that Minister of Energy Shaykh Ahmed Fahd Al-Ahmed Al-Sabah is expected to sign a memorandum of understanding on the gas deal while at Isfahan and the Energy Minister himself was quoted on his departure as saying that Kuwait and Iran "will complete negotiations and I hope to reach an understanding during this visit" regarding the import of 300 mft3/day of Iranian gas. (Note: March 16 online news sources reported that the two countries had signed a \$7 billion, 25-year MOU March 15 for Iran to export 300 mft3/day of gas daily to Kuwait, starting in 2007.)

LEBARON